

Senate Engrossed House Bill

FILED

**JANICE K. BREWER
SECRETARY OF STATE**

State of Arizona
House of Representatives
Forty-seventh Legislature
Second Regular Session
2006

CHAPTER 379

HOUSE BILL 2505

AN ACT

AMENDING SECTIONS 15-903 AND 15-904, ARIZONA REVISED STATUTES; RELATING TO
SCHOOL FINANCE.

(TEXT OF BILL BEGINS ON NEXT PAGE)

1 Be it enacted by the Legislature of the State of Arizona:

2 Section 1. Section 15-903, Arizona Revised Statutes, is amended to
3 read:

4 15-903. Budget format; prohibited expenditures

5 A. The superintendent of public instruction in conjunction with the
6 auditor general shall prepare and prescribe a budget format to be utilized by
7 all school districts ~~on a school by school basis.~~

8 B. The budget format shall be designed to allow all school districts
9 to plan and provide in detail for the use of available funds ~~on a school by~~
10 ~~school basis, except that the budget format shall not be required to provide~~
11 ~~details on a school by school basis in fiscal years 2004-2005 and 2005-2006.~~

12 The budget format shall contain distinct sections for, but need not be
13 limited to, maintenance and operation, debt service, special projects,
14 capital outlay, adjacent ways and classroom site fund. The maintenance and
15 operation section shall include, but need not be limited to, separate
16 subsections for regular education programs, special education programs and
17 operational expenditures for pupil transportation. Each subsection shall
18 clearly distinguish classroom instruction expenditures. ~~The sections for~~
19 ~~individual schools shall only contain aggregate summaries by major function~~
20 ~~for the maintenance and operation, unrestricted capital outlay and soft~~
21 ~~capital allocation funds. A school district shall prepare budgets for each~~
22 ~~individual school in the district and shall make these individual school~~
23 ~~budgets available to the public on request.~~ The special education program
24 subsection shall include, but is not limited to, programs for each disability
25 classification as defined in section 15-761 and programs for gifted,
26 vocational and technological education, remedial education and bilingual
27 students. The total expenditures for each of these programs shall be
28 included on the budget form. The pupil transportation subsection shall
29 include all operational expenditures relating to the transportation of
30 pupils, including all operational expenditures within a contract if the
31 school district contracts for pupil transportation.

32 C. The capital outlay section of the budget shall include separate
33 subsections for unrestricted capital outlay and soft capital allocation. The
34 soft capital allocation subsection shall include budgeted expenditures as
35 prescribed in section 15-962. The unrestricted capital outlay subsection
36 shall include budgeted expenditures for acquisitions by purchase,
37 lease-purchase or lease of capital items as defined in the uniform system of
38 financial records. These sections and subsections shall include:

39 1. Land, buildings and improvements to land and buildings, including
40 labor and related employee benefits costs and material costs if work is
41 performed by school district employees.

42 2. Furniture, furnishings, athletic equipment and other equipment,
43 including computer software.

1 3. Pupil and nonpupil transportation vehicles and equipment, including
2 all capital expenditures within a contract if the school district contracts
3 for pupil transportation.

4 4. Textbooks and related printed subject matter materials adopted by
5 the governing board.

6 5. Instructional aids.

7 6. Library books.

8 7. Payment of principal and interest on bonds.

9 8. School district administration emergency needs that are directly
10 related to pupils.

11 D. The budget format shall contain distinct subsections for the
12 following:

13 1. Special programs to improve academic achievement of pupils in
14 kindergarten programs and grades one through three as provided in section
15 15-482.

16 2. School plant funds.

17 3. Capital outlay budget increases as provided in section 15-481.

18 4. Property taxation including the following:

19 (a) The primary tax rates for the school district for the current year
20 and the budget year.

21 (b) The secondary tax rates for maintenance and operation, K-3 and
22 capital overrides for the school district for the current year and the budget
23 year.

24 (c) The secondary tax rates for class A bonds for the school district
25 for the current year and the budget year.

26 (d) The secondary tax rates for class B bonds for the school district
27 for the current year and the budget year.

28 5. A description of any corrections or adjustments made to the budget
29 pursuant to section 15-915.

30 E. The budget format shall also contain:

31 1. A statement identifying proposed pupil-teacher ratios and
32 pupil-staff ratios relating to the provision of special education services
33 for the budget year.

34 2. A statement identifying the number of full-time equivalent
35 certified employees.

36 3. If a governing board uses section 15-942 relating to the adjustment
37 for rapid decline in student count, a statement identifying the actual per
38 cent decline in student count and a statement identifying the additional
39 allowable expenditures attributable to using the rapid decline provisions as
40 provided in section 15-942.

41 F. The special projects section shall include budgeted expenditures
42 for state special projects, including special adult projects, career
43 education, deficiencies correction fund projects, building renewal fund
44 projects and new school facilities fund projects, such federal special

1 projects as ESEA title programs, vocational education and title IV Indian
2 education, and other special projects.

3 G. A school district shall not make expenditures for campaign
4 literature associated with school district or charter school officials. If
5 the superintendent of public instruction determines that a school district
6 has violated this subsection, the superintendent of public instruction may
7 withhold any portion of the school district's apportionment of state aid.

8 H. The budget format shall include an electronic format that shall be
9 submitted for each proposed, adopted and revised budget.

10 Sec. 2. Section 15-904, Arizona Revised Statutes, is amended to read:

11 15-904. School district annual financial report; publication;
12 summary; exemption

13 A. The governing board of each school district shall publish an annual
14 financial report on a school by school basis for the prior fiscal year by
15 November 15, ~~except that the annual financial report shall not be required to~~
16 ~~include information on a school by school basis in fiscal years 2004-2005 and~~
17 ~~2005-2006.~~ The auditor general in conjunction with the department of
18 education shall prescribe the format of the financial report to be used by
19 school districts. The financial report shall contain budgeted and actual
20 expenditures for the preceding fiscal year and shall be prepared and
21 distributed by October 15 by the school district with a copy to the county
22 school superintendent. A copy of the annual financial report shall be
23 submitted electronically by the school district to the superintendent of
24 public instruction by October 15. The annual financial report shall be
25 approved by the county school superintendent in an electronic procedure as
26 prescribed by the department of education. School districts that are subject
27 to section 15-914.01 are not required to send a copy to the county school
28 superintendent.

29 B. In addition to the information required in subsection A of this
30 section, the annual financial report shall contain detailed information on
31 the school district budgeted and actual expenditures from the bond building
32 fund, the soft capital allocation fund, the deficiencies correction fund, the
33 building renewal fund and the new school facilities fund, including but not
34 limited to information on classified salaries, employee benefits, interest
35 and fiscal charges, capital lease agreements, land and improvements,
36 buildings and improvements, furniture and equipment, technology and vehicles
37 and transportation equipment for pupils. The information shall specify
38 whether the expenditures are for school district renovation or for new
39 construction, the cost per square foot, and land acquisition costs, as
40 appropriate. BEGINNING WITH FISCAL YEAR 2006-2007, SCHOOL DISTRICTS SHALL
41 REPORT BY INDIVIDUAL SCHOOLS ANNUAL EXPENDITURES FOR MAINTENANCE AND
42 OPERATIONS, UNRESTRICTED CAPITAL OUTLAY, SOFT CAPITAL, DEFICIENCIES
43 CORRECTION AND BUILDING RENEWAL. ~~The reporting by individual schools shall~~
44 ~~be limited to annual expenditures aggregated by major function for the~~

1 ~~maintenance and operation, unrestricted capital outlay and soft capital~~
2 ~~allocation funds.~~

3 C. Except as provided in subsection D of this section, the governing
4 board shall publish, by November 15, the annual financial report for the
5 school district ~~on a school by school basis~~ in a newspaper of general
6 circulation within the school district or in the official newspaper of the
7 county as defined in section 11-255 or the governing board may mail the
8 annual financial report FOR THE SCHOOL DISTRICT to each household in the
9 school district, ~~except that the annual financial report shall not be~~
10 ~~required to include information on a school by school basis in fiscal years~~
11 ~~2004-2005 and 2005-2006.~~ If the governing board chooses to publish the
12 report in a newspaper, the size of the newspaper print shall be at least
13 eight-point type. The cost of publication or mailing shall be a charge
14 against the school district. The publisher's affidavit of publication shall
15 be filed by the governing board of the school district with the
16 superintendent of public instruction within thirty days after publication.

17 D. The governing board may publish or mail a summary of the annual
18 financial report in the same manner as provided in subsection C of this
19 section. The auditor general in conjunction with the department of education
20 shall prescribe the form of the summary of the annual financial report for
21 use by the governing boards.

22 E. The superintendent of public instruction shall compile the
23 financial reports of the school districts on a school by school basis,
24 INCLUDING SCHOOL BY SCHOOL EXPENDITURE DATA FOR FEDERAL AND STATE PROJECTS,
25 and shall report to the governor and the legislature on or before January 15
26 of each year as provided in section 15-255, ~~except that the financial reports~~
27 ~~shall not be required to include information on a school by school basis in~~
28 ~~fiscal years 2004-2005 and 2005-2006.~~

APPROVED BY THE GOVERNOR JUNE 28, 2006.

FILED IN THE OFFICE OF THE SECRETARY OF STATE JUNE 28, 2006.